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family income derived from labor or property in the home village. The usual source of income at home was from agriculture.[53]

Although the economic status of emigrant families ranged from poor to wealthy, the overseas communities were on the whole wealthier than non-emigrant neighboring villages. The excess of the wealthier families' dual income was largely invested in land and houses.[54] When the Communist took over the area, they were faced with the problem of what attitude ought to be taken toward these landlord families whose income from abroad was a vital source of foreign exchange for the government.

Evidently, no special privilege or status was initially allowed members of these families, and their real property was expropriated on the same basis as that of any other element considered to be exploitive by the regime. On the other hand, the government exerted every effort to influence members of overseas families to write letters to their relatives abroad, setting forth the benefits of land reform and Communist reconstruction in order to woo overseas sympathy and investments in every way possible.[55]

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53. Ibid., pp. 58-85, 106-23.
54. Ibid., p. 110.
55. C.B., 211, p. 40.

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457 668 The Communists did gain a favorable response from a part of the overseas element, but it was apparently not up to Communist needs and expectations, for various experiments and temporary shifts have marked the regime's subsequent policy toward the overseas Chinese and their dependents in China. New efforts to attract their sympathy were initiated in early 1955. Much publicity was given to the reclassification of overseas landlords as "no longer enemies of the state" before the expiration of the five-year probationary period. Buildings expropriated from overseas Chinese for government use were reportedly being returned to their former owners or paid for. The press reiterated the theme that measures were being taken to assure the right to ownership of overseas remittances and their delivery into the proper hands.[56]

D. The Pace of Reform

185 596 In the pace of family reform, the East China Region is probably not as far behind the North and Northeast regions as in other changes instututed by the Communist regime. Although the North and Northeast regions have been longer under Communist control, industrialization and modern city life with their influences for change in family form and function have a longer history in Shanghai than elsewhere in China. The rural

56. See section entitled "Overseas Chinese," in S.C.M.P. during the first six months of 1955, for instance, 1024, pp. 13-15.

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457 Foreign banks, the pillars of the Shanghai money market for nearly two centuries, withdrew from Shanghai, Tsingtao, and Amoy when the government sought to monopolize foreign trade. The control of overseas remittances was assumed by the Bank of China. Restrictions on the movement of foreign personnel, high taxes on their property, and unreasonable demands on the part of Chinese employees made it impossible for foreign banks to continue.

426 Pawnshops, the oldest credit mechanism for the common people, were unable to obtain credit from banks after the Communists enforced selective credit controls. The working capital of East China pawn shops, particularly in Kiangsu and Chekiang provinces, had come from bank credits and deposits. But under the provisional regulations governing pawnshops, promulgated in September 1950, they were required to increase capital, were forbidden to accept deposits, and were subject to many other restrictions. As a result, most of them "voluntarily" discontinued business. At the end of 1952 those few pawnshops which had remained in business were advised to close.

453 The only remnants of the so-called capitalist banking structure in East China are three overseas Chinese banks in Shanghai, a branch of the Overseas Chinese Banking Corporation of Singapore, a branch of the Bank of East Asia of Hong Kong, and the Chi-yu Banking

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439 the Five-Anti Campaign, government trading
471 already accounted for 67 per cent of Shanghai's exports and 54 per cent of the city's imports. Moreover, only 10 per cent of the private foreign trade business was accounted for by non-Chinese firms.[13] This trend of nationalization and naturalization of foreign trade has by now been carried to its logical conclusion.

In the second place, it may be noted that as early as October 1949, when there was no United Nations embargo against Communist China, a trade agreement was concluded between the USSR and East China, under which 8,000 tons of Russian newsprint and paper pulp were bartered for 1,024 quintals of bristles and 800 bags of raw silk.[14] While no other regional trade pacts have been concluded by East China thereafter, in this case the reorientation of China's foreign trade toward the Soviet orbit can be clearly seen.

Black Market Foreign Exchange

•457 However, one would be mistaken if one
439 were to conclude that such East China ports as Shanghai and Amoy, which were focal points

13. Ibid.
14. Economic Weekly, Shanghai, May 25, 1950, p. 9.

439 of private financial and economic activity, have
457 entirely discarded every trace of business methods common in the pre-Communist period of monetary inflation. A most notable case in this respect is the continued practice of conducting private remittances between Shanghai and Amoy, on the one hand, and the British Crown Colony of Hong Kong, on the other hand, in defiance of the Communists' exchange and trade controls. Quotations for such remittances can be obtained in Hong Kong and business is usually carried on in terms of gold bars or U. S. dollars, albeit on a small scale. Although gold and U. S. dollars are not actually shipped -- i.e., smuggled -- in each transaction, the possibility apparently exists. Moreover, there would appear to be black markets in both gold and U. S. dollars in these former treaty ports. While this state of affairs will undoubtedly change, it nevertheless points to the existence, for the present at any rate, of what to the Communist authorities must be an "insidious influence" born of the days of dominance of Chinese "bureaucratic" capitalism and foreign "exploitation" in East China's economic relations with the outside world.

Control of Foreign Exchange

457 The Bank of China, as designated by the People's Bank, handles what few foreign-exchange transactions there are, including the

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457 fixing of exchange quotations, transfers, clearings of barter deals, overseas Chinese remittances, and the occasional surrender of privately own foreign currencies. Since the domestic price structure is fully controlled and foreign trade has become a government monopoly, exchange-rate adjustments are unimportant, and there have been almost no changes in the official rates since the end of 1952.

Remittances by overseas Chinese had long been handled through traditional channels, including private firms, the Bank of China, and a few overseas Chinese banks. The volume of remittances in Fukien was second only to Kwangtung; a great number of Fukienese live in Southeast Asia, and most of their remittances came through Amoy. After the Communists assumed control all foreign remittances were converted into People's Bank notes before payment, including those made through Hong Kong banks. Thus the Communists have prevented overseas remittances from reaching the black market, but their actions, as well as restrictions in countries of origin, have reduced the flow of family remittances to about 10 per cent of its former volume.

In the early days of Communist control, recipients of foreign funds were often coerced to open bank accounts and often they found it

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457 difficult to make withdrawals. Acting on complaints of overseas Chinese and in an effort to stem the decline of remittances from abroad, a State Council Order was issued on March 2, 1955 (NCNA, Peking) affirming the right of free use of overseas remittances by recipients, who were not to be subject to coercion. But a simultaneous statement "encouraging" investment of money from abroad in production or in state investment companies counteracts the spirit of the Council Order.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

Because of this wider activity, the Council on October 16, 1940, severed the former Industrial Section from the Secretariat and established a separate Industrial and Social Division.[11] Within the Division there were created four Sections. They were the Industrial Section, maintaining its concern with physical conditions of employment and including the Technical Training Service, which organised technical classes for adult workers; the Statistical Section, responsible for compiling indices of living costs of Chinese and foreign employees, and statistics of wages and hours of work; the Industrial Relations Section, mediating industrial disputes and concerned also with non-physical conditions of employment, including workers' earnings and compensation; and the Welfare Section concerned with hygiene in the factories, workers' food and housing, and factory medical services, with the control of rentals of lower paid sections of the community through a licence to sublet, and with child protection.

In April 1941, an Industrial and Social Affairs Committee of the Council was formed, composed of members chosen to represent varying national interests and differing points of view. There was no representative of Chinese workers upon it. The social outlook of neither Chinese employers nor Western foreign employers had yet seen the right of the worker to have his viewpoint represented; still less would such a view commend itself to Japanese. The most that could be achieved was to inject into the membership sufficiently liberal representatives who could be counted on to speak for the common man.

WHEN PACIFIC HOSTILITIES developed in December 1941, industry, which throughout that year had met successively restrictions and steep surcharges in the use of electric power, difficulties in securing raw materials in the United States and elsewhere, controls in the purchase of foreign exchange to pay for imports, and a great shipping shortage, now faced a major crisis. The Japanese authorities required the immediate registration of stocks of essential raw materials—metals, fuels, lubricating oils, chemical products and many others. These were first frozen by preventing their movement. Those found necessary for the Japanese war effort were requisitioned. Later, permission to move stocks was granted to

[11] In subsequent pages frequently referred to simply as the "Division."